

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

COMPETITIVE PRICE CHANGES

Docket No. CP2023-42

**USPS RESPONSE TO CHAIRMAN'S INFORMATION REQUEST NO. 1,  
WITH MATERIALS FILED UNDER SEAL**  
(November 28, 2022)

The United States Postal Service hereby provides its response to Chairman's Information Request No. 1, which was issued on November 18, 2022. Responses were due by November 28, 2022. Each question is reprinted verbatim in the attached, and is followed by the Postal Service's response. Certain materials associated with the Postal Service's responses are being filed under seal. The Postal Service incorporates by reference the Application for Non-Public Treatment filed in this docket for the protection of these materials.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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November 28, 2022

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1. The Postal Service states that "Competitive Post Office Box prices will be increasing 6.5 percent, on average, within the existing price ranges." Notice, Governor's Decision No. 22-6 at 4. Please confirm that the Postal Service did not include Competitive Post Office Box prices and supporting data in the financial workpapers filed in support of the Notice. If confirmed, please file the missing prices and supporting data. If not confirmed, please explain.

### **RESPONSE:**

Confirmed. Please see the requested workpapers, filed under seal. Consistent with past practice, the new prices will be published in the Postal Bulletin prior to January 22, 2023.

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2. Please refer to Docket Nos. MC2022-1 and MC2022-82, USPS Notice of Revised Effective Date, Pursuant to Governors' Decision 22-4.<sup>1</sup> The Postal Service states "[t]he classifications that are the subject of the instant dockets shall now be effective at such time in calendar year 2023 as management considers appropriate." Docket Nos. MC2022-81 and MC2022-82 Notice at 1. Please also refer to Docket No. CP2022-99, USPS Response to Chairman's Information Request No. 1.<sup>2</sup> The Postal Service confirmed that it expects to set the effective date of the classification changes that are the subject of Docket Nos. MC2022-81 and MC2022-82 on or after January 22, 2023. Docket No. CP2022-99 Response to CHIR No. 1, question 1.
  - a. Please discuss the Postal Service's timeline for proposing the new Competitive rates required to implement these classification changes.
  - b. Please discuss the expected impact of these classification changes on extant negotiated service agreements (NSAs), including the interaction of annual price adjustment provisions with the forthcoming new Competitive rates mentioned in Docket No. CP2022-99 Response to CHIR No. 1, question 2. a. Please also indicate whether the Postal Service expects to file related amendments to extant NSAs and provide an estimate of the anticipated number of such filings and the timeline for submitting such filings to the Commission.

### RESPONSE:

- a. The Postal Service will first notify the Commission of the effective date of the classification changes in Docket Nos. MC2022-81 and MC2022-82. Once this effective date is established, the Postal Service will file notice of the new rates associated with the classification changes at least 30 days prior to the effective date of the classification changes.
- b. The Postal Service anticipates filing amendments to certain NSAs to address annual adjustment provisions, depending on the exact timing of the effective date of the classification changes and the associated rate changes, and the preferences of each

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<sup>1</sup> Docket Nos. MC2022-81 and MC2022-82, USPS Notice of Revised Effective Date, Pursuant to Governors' Decision 22-4, August 16, 2022 (Docket Nos. MC2022-81 and MC2022-82 Notice).

<sup>2</sup> Docket No. CP2022-99, USPS Response to Chairman's Information Request No. 1, with Material Filed Under Seal, August 25, 2022 (Docket No. CP2022-99 Response to CHIR No. 1).

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individual customer. It is difficult to predict exactly when those amendments will be filed with the Commission, but the Postal Service does not expect to file any such amendments between now and January 22, 2023. The Postal Service estimates that no more than thirty amendments will be filed to address the annual adjustment mechanism once the aforementioned effective dates are established.

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3. The Postal Service states that it “will be eliminating the Priority Mail Regional Rate Boxes (RRBs) offering. The intent of this change is to eliminate the redundancy of RRBs with Priority Mail Cubic, save some packaging supply costs, and simplify the Priority Mail rate structure.” Notice at 3. Please provide the following data for each fiscal year from FY 2017 through FY 2021 for Priority Mail RRBs and Priority Mail Cubic: volume, revenue, average Weight by zone, average Cubic Feet by zone, unit attributable cost (unit mail processing cost, unit transportation cost, unit delivery cost, unit packaging supplies cost), and the number of NSAs that include Priority Mail RRBs and/or Priority Mail Cubic mailpieces.

### **RESPONSE:**

Please see the Excel file “CHIR No. 1.Q3.Resp.xlsx” with the requested data, filed under seal.

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4. The Postal Service states “[f]or several of its competitive products, the Postal Service will be splitting out the existing “Zone L,1,2” category into separate Zone 1 and Zone 2 categories. The Local Zone will be eliminated.” Notice at 4.
  - a. Please specify how the affected zones will be defined after this change.
  - b. Please identify all the Competitive products that will have the existing “Zone L,1, 2” category split into Zone 1 and Zone 2 categories.
  - c. Please describe the process that the Postal Service used to split the existing “Zone L,1, 2” category into Zone 1 and Zone 2 for each affected Competitive product.
  - d. Please identify the tab(s) and the Excel spreadsheet(s) that demonstrate the zone split for each affected Competitive product.

### RESPONSE:

- a. Zones are defined in the Domestic Mail Manual. The Zone 1 price applies to pieces mailed within the same 3 Digit O/D Pairs. The Zone 1 price also includes pieces mailed with different 3 Digit O/D Pairs, whose centroids are up to 50 miles in distance. Zone 2 includes all units of area outside zone 1 lying in whole or in part within a radius of about 150 miles from the center of a given unit of area.
- b. Priority Mail Express, Priority Mail, First-Class Package Service, USPS Retail Ground, and Parcel Select.
- c. Zone was determined using the Domestic Zone Chart and the origin/destination ZIP pairing. Origin and destination ZIP code information was collected at the piece level from either the payment system or Product Tracking and Reporting (PTR).
- d. ‘FCPS Calc.xlsx’ tabs FCPS Volume, FCPS BR Prices & Revenue, FCPS AR Prices & Revenue all split Zones 1 and 2. In ‘PM Calc.xlsx’ the Baseline Volume, Baseline DIM Weight Volume, Baseline Prices, Before-Rates Revenue, New Prices, and After-Rates Revenue tabs all split Zones 1 and 2. In ‘PME Calc.xlsx’, the PME Volume, PME Dim Volume, BR Rev & AR Rev, PME BR Prices & Revenue, and PME AR Prices & Revenue tabs all split Zones 1 and 2. In the ‘Retail Ground Calc.xlsx’, the

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FY 2021 Retail Ground BDs, Dim Volume, Current Retail Ground Prices, Proposed Retail Ground Prices, Retail Ground Pricing (Jan 2023), Current Alaska LOR Prices, FY 2021 Alaska LOR BDs, Proposed Alaska LOR Prices, and Alaska LOR Pricing (Proposed) tabs all split Zones 1 and 2. In the 'PS Calc.xlsx' file, the Baseline Volume PSG, Baseline Dim Volume PSG, Baseline PSG Prices, Before Rates DIM Revenue PSG, Before Rates Revenue PSG, Proposed PSG Prices, After Rates DIM Revenue PSG, After Rates Revenue PSG, Baseline Volume PSDE, Baseline DIM Volume PSDE, Baseline PSDE Prices, Before Rates DIM Revenue PSDE, Before Rates Revenue PSDE, Proposed PSDE Prices, After Rates DIM Revenue PSDE, and After Rates Revenue PSDE tabs all split Zones 1 and 2.

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5. Please refer to Excel files "RFLiteReport2021-2023AR.V26AR Jan BY21 FY2023.xlsx," "RFLiteReport2021-2023AR.V27AR OCT BY21 FY2023.xlsx," and "RFLiteReport2021-2023BR.V17BR BY21 FY2023.xlsx," November 10, 2022, which were filed in support of the Notice. Please confirm that the values found in tab "CPContribSum," cells E39:E40 in the referenced Excel files are incorrect. If confirmed, please provide corrected financial workpapers, including the underlying formulas. If not confirmed, please explain.

## RESPONSE:

Not confirmed. The values on tab "CPContribSum," cells E39:E40, in the referenced Excel files are correct. They include a one-time, non-cash benefit in FY2022 of \$56,975 million due to elimination of past retiree health benefits prefunding obligations with the passage of the Postal Service Reform Act of 2022. This is consistent with the financial statements which are sent monthly to the Commission, and consistent with the Time-Limited Price Change filed earlier this year in Docket No. CP2022-99. This is a one-time event and does not affect cost coverage in FY2023.

For reference, the table below shows FY2022 contribution from competitive products as a percentage of institutional costs with and without this benefit:

	Institutional cost <u>including</u> one-time, non-cash adj.	Institutional cost <u>excluding</u> one-time, non-cash adj.
Contribution	14,008	14,008
Institutional cost	(21,115)	35,860
Contribution from competitive products as a % of institutional cost	-66.3%	39.1%